

# INNOVATION

*Tomorrow belongs to those who prepare for it today*



Missouri State Employees' Retirement System • A Component Unit of the State of Missouri  
Summary Annual Financial Report • Fiscal Year Ended June 30, 2010



## INSPIRATION

During these difficult economic times, it is not surprising that we find ourselves thinking about the simpler times of the past as we struggle to make a better future. The concept of planning for retirement is timeless and essential for long-term success. MOSERS plans every day for the future of our members so they may enjoy life's simple pleasures in retirement.

*- Enjoy life's simple pleasures*

## OUR MISSION AND CORE VALUES

### *Our Mission & Core Values*

*To exceed customer expectations by providing outstanding benefit services through professional plan administration and sound investment practices.*

#### **Quality**

Strive to exceed the expectations of internal and external customers through innovation, competence, and teamwork. Seek to “do it right” the first time.

#### **Respect**

Be sensitive to the needs of others, both within and outside the organization.  
Be courteous, considerate, responsive, and professional.

#### **Integrity**

In all endeavors, act in an ethical, honest, and professional manner.

#### **Openness**

Be willing to listen to, and share information with, others.  
Be receptive to new ideas. Be trusting of others.

#### **Accountability**

Take ownership of and responsibility for actions and their results. Learn from mistakes.  
Control system risks and act to protect the security of member information and system assets.



This *Summary Annual Financial Report* is derived from the information contained in *MOSERS' Comprehensive Annual Financial Report* (CAFR) but does not include all funds administered by MOSERS or certain other information required for conformity with Generally Accepted Accounting Principles (GAAP). MOSERS' CAFR is produced in conformity with GAAP. Contact MOSERS to request a copy of the CAFR, or explore it on our website at [www.mosers.org](http://www.mosers.org).

To request an alternative format, please contact MOSERS at (573) 632-6100 or (800) 827-1063. MOSERS is an equal opportunity employer.

## LETTER FROM THE BOARD CHAIR



Missouri State Employees' Retirement System

**Mailing Address**

PO Box 209 • Jefferson City, MO 65102-0209

**Building Location**

907 Wildwood Drive • Jefferson City, MO

October 21, 2010

Dear Members:

On behalf of the board of trustees, I am pleased to present the MOSERS *Summary Annual Financial Report* for the fiscal year ended June 30, 2010. This report provides summary information on the financial status of your retirement system while also highlighting changes that occurred during the year. The accounting portion of this report is derived from the *MOSERS Comprehensive Annual Financial Report*, which is prepared following all appropriate accounting principles and is appropriately attested to by the system's certified public accountants.

The board is pleased to report that MOSERS' investments generated a return of 14.3% (net of fees) this fiscal year. This excellent return exceeded the policy established benchmark of 13.4% by 0.9% and the actuarial investment return assumption of 8.5% by 5.8%. This higher return added value to your retirement fund.

However, long-term performance is the best indicator of success. For the tenth straight year, MOSERS' investments have generated returns in excess of the established policy benchmark and have done so with less volatility than the benchmark. The incremental reward from these results over ten years has been \$1.6 billion in investment earnings for your retirement fund. In addition, for the 15-year period ended June 30, 2010, MOSERS' total fund return outperformed 95% of the public pension funds in the Rogerscasey universe of public pension plans with assets in excess of \$1 billion.

Your retirement system continues to achieve high marks in the delivery of customer service to our members. One of the ways operational performance is measured is through CEM Benchmarking Inc.'s Pension Administration Benchmarking Analysis. This year CEM evaluated 73 leading pension systems, including systems in the U.S., Canada, Australia, the Netherlands and Denmark, and identified 13 U.S. public pension plans as the most relevant peer group based upon membership size and system assets. The CEM survey rated MOSERS' service delivery as the highest in our peer group with lower than median cost – the fifth time the system has received such a rating during an eleven-year period. In addition, for the third consecutive year, MOSERS received the highest overall service delivery rating in the entire CEM universe. The system is continually working on improvements in service delivery.

In closing, I wish to thank all of the other ten MOSERS board members for their hard work and contributions to the system this year. All trustees serve many hours with great personal sacrifice for no remuneration. My personal belief is that the wide diversity and exceptional knowledge that this board brings to each board meeting is the reason for our system's continued success.

Additionally, the board of trustees thanks the MOSERS staff who strives continually to provide the expertise and professionalism required for excellence in our retirement system. This staff continues to maintain a high level of commitment to serving our membership. Both the board and staff look forward to meeting your future needs. If you have any questions regarding this report or any other aspect of MOSERS, please contact us at MOSERS, P.O. Box 209, Jefferson City, MO 65102 or call 1-800-827-1063. You may also visit our website at [www.mosers.org](http://www.mosers.org).

Sincerely,

Donald Martin, Chair  
Board of Trustees

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MO Relay: 7-1-1 (Voice) • (800) 735-2966 (TTY)  
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## MOTIVATION

Retirement is not just an event; it is an achievement, a milestone and a new beginning. Though ideas about retirement continue to change, the big picture stays the same. MOSERS remains well funded and focused on keeping promised benefits secure.

*- Focus on the timeless value of retirement.*

## FINANCIAL STATEMENTS

### Summary Comparative Statements of Plan Net Assets - Pension Trust Funds

The *Statements of Plan Net Assets* are summaries of what MOSERS owns and what it owes as of the end of the fiscal year.

	As of June 30, 2010	As of June 30, 2009	Amount of Change	Percentage Change
Cash and short-term investments	\$ 630,869,896	\$ 624,390,801	\$ 6,479,095	1.04%
Receivables	45,578,213	50,537,236	(4,959,023)	(9.81)
Investments	6,199,292,141	5,644,811,509	554,480,632	9.82
Invested securities lending collateral	192,640,173	385,276,913	(192,636,740)	(50.00)
Capital assets	3,190,347	3,313,056	(122,709)	(3.70)
Other assets	50,312	85,515	(35,203)	(41.17)
Total assets	7,071,621,082	6,708,415,030	363,206,052	5.41
Administrative expense payables	2,204,046	1,606,040	598,006	37.23
Investment purchase payables	23,438,954	23,837,745	(398,791)	(1.67)
Investment income payables	25,586,275	0	25,586,275	100.00
Securities lending collateral	202,323,418	441,487,337	(239,163,919)	(54.17)
Other liabilities	11,891,157	12,477,661	(586,504)	(4.70)
Total liabilities	265,443,850	479,408,783	(213,964,933)	(44.63)
Net assets	\$6,806,177,232	\$ 6,229,006,247	\$ 577,170,985	9.27

### Summary Comparative Statements of Changes in Plan Net Assets - Pension Trust Funds

The *Statements of Changes in Plan Net Assets* summarize the flow of money in and out of the fund during the fiscal year.

	Year Ended June 30, 2010	Year Ended June 30, 2009	Amount of Change	Percentage Change
Contributions	\$ 281,842,348	\$ 283,094,964	\$ (1,252,616)	(0.44)%
Investment income (loss) - investing activities	868,603,852	(1,530,053,487)	2,398,657,339	156.77
Investment income - securities lending activities	1,204,378	5,829,390	(4,625,012)	(79.34)
Miscellaneous income	647,275	625,564	21,711	3.47
Total additions (reductions)	1,152,297,853	(1,240,503,569)	2,392,801,422	192.89
Benefits	567,514,834	534,698,643	32,816,191	6.14
Service transfers and refunds	466,076	0	466,076	100.00
Administrative expenses	7,145,958	7,162,956	(16,998)	(0.24)
Total deductions	575,126,868	541,861,599	33,265,269	6.14
Net increase (decrease)	577,170,985	(1,782,365,168)	2,359,536,153	132.38
Net assets beginning of year	6,229,006,247	8,011,371,415	(1,782,365,168)	(22.25)
Net assets end of year	\$6,806,177,232	\$ 6,229,006,247	\$ 577,170,985	9.27



## COLLABORATION

Finding balance and keeping momentum is important to a new generation embarking upon retirement. Enduring the hilly landscape of today's economy is difficult but a challenge worthwhile. MOSERS is geared toward achieving long-term stability for members as they begin their journey towards a satisfying retirement.

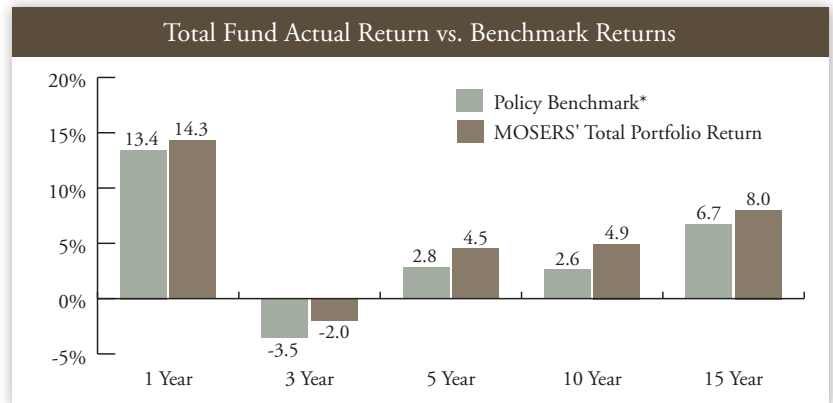
*- Every milestone presents a new opportunity*

## INVESTMENT PERFORMANCE

### Investment Return

Comparing the actual investment return relative to specific benchmarks is one means of evaluating the fund's investment performance. The bar chart to the right illustrates MOSERS' actual fund return relative to our policy benchmark.

The total fund generated a return of 14.3%, net of expenses, in FY10. On a relative basis, the fund outperformed the policy benchmark by .9%.

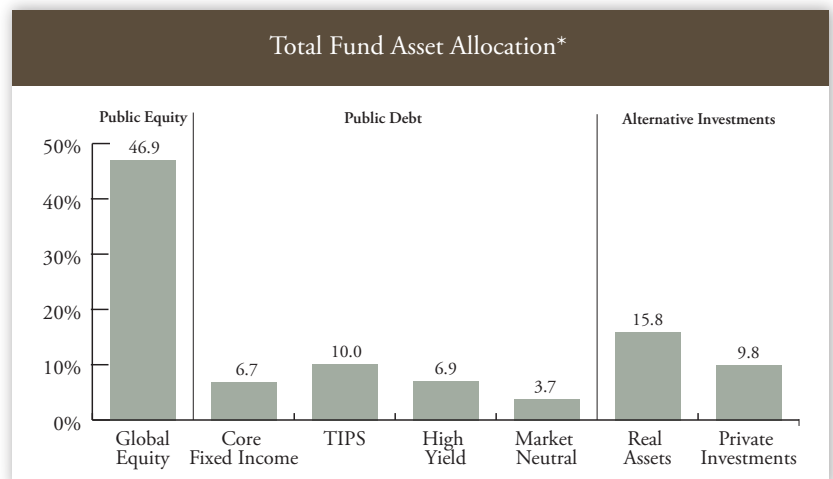


\* The policy benchmark provides an indication of the returns that could be achieved (excluding transaction costs) by a portfolio invested passively in the broad market with percentage weights allocated to each asset class in MOSERS' policy asset allocation.

For the tenth straight year, MOSERS' investments generated returns in excess of the benchmark which has resulted in an additional \$1.6 billion for the fund.

### Diversification of Plan Net Assets

The foundation of the system's strength and stability rests upon the diversification of plan assets. MOSERS never knows what the future will hold from the investment markets. As a result, the portfolio is structured to control risk under a variety of economic outcomes. Through the diversification of system assets, MOSERS is better able to minimize the overall risk of the portfolio while striving to reach its return objectives. As you will note from the bar chart to the right, MOSERS' investment program is widely diversified among a variety of asset classes with numerous holdings in each category.



\* Graph does not reflect cash reserve (.2%).

MOSERS' investment portfolio is widely diversified to control risk under a variety of economic outcomes, which may play out over time.



## COMMUNICATION

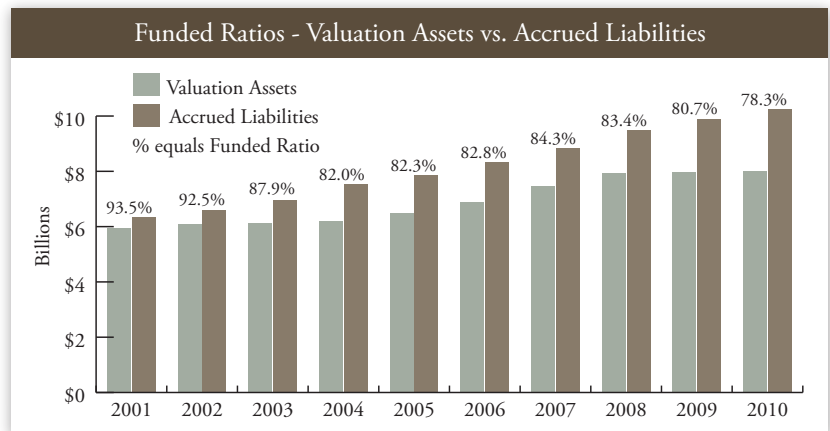
Excellent customer service begins with reliable communication that evolves over time. MOSERS is dedicated, determined and committed to incorporating technology and practical innovation to improve communication to our members.

*- Taking a moment to listen is a golden opportunity*

## ACTUARIAL SUMMARY

### Retirement Funding (All Plans Combined)

Your retirement benefits are funded by contributions from the state of Missouri. In order to ensure your benefits are available to you, MOSERS is constantly evaluating the assets (green bar) relative to the value of the liabilities (brown bar). The percentages shown in the bar chart to the right indicate the extent to which the system was funded as of a given year.



### Member Snapshot

June 30, 2010, Actuarial Valuations

MSEP\*

Judicial Plan

#### Active Members

Average age	45.7	56.0
Average years of service	11.2	12.2
Average annual salary	\$36,372	\$114,708

#### Retired Members

Average age	69.2	75.2
Average annual benefit	\$14,846	\$52,772

#### Total Membership

Active	53,478	402
Terminated-vested	17,399	42
Retired	33,251	465

\* Includes members in both the MSEP and MSEP 2000.

### Members Retiring During the Fiscal Year Ended June 30, 2010\*

#### Years Credited Service by Category

	<5	5-10	10-15	15-20	20-25	25-30	30+	All Members
Average monthly benefit	\$ 442	\$ 287	\$ 488	\$ 777	\$ 1,186	\$ 1,606	\$ 2,138	\$ 940
Average final average salary	\$ 6,215	\$ 2,523	\$ 2,535	\$ 2,890	\$ 3,167	\$ 3,455	\$ 3,845	\$ 2,968
Number of retirees	2	500	449	351	394	338	222	2,256

\* Includes members in both the MSEP and MSEP 2000.



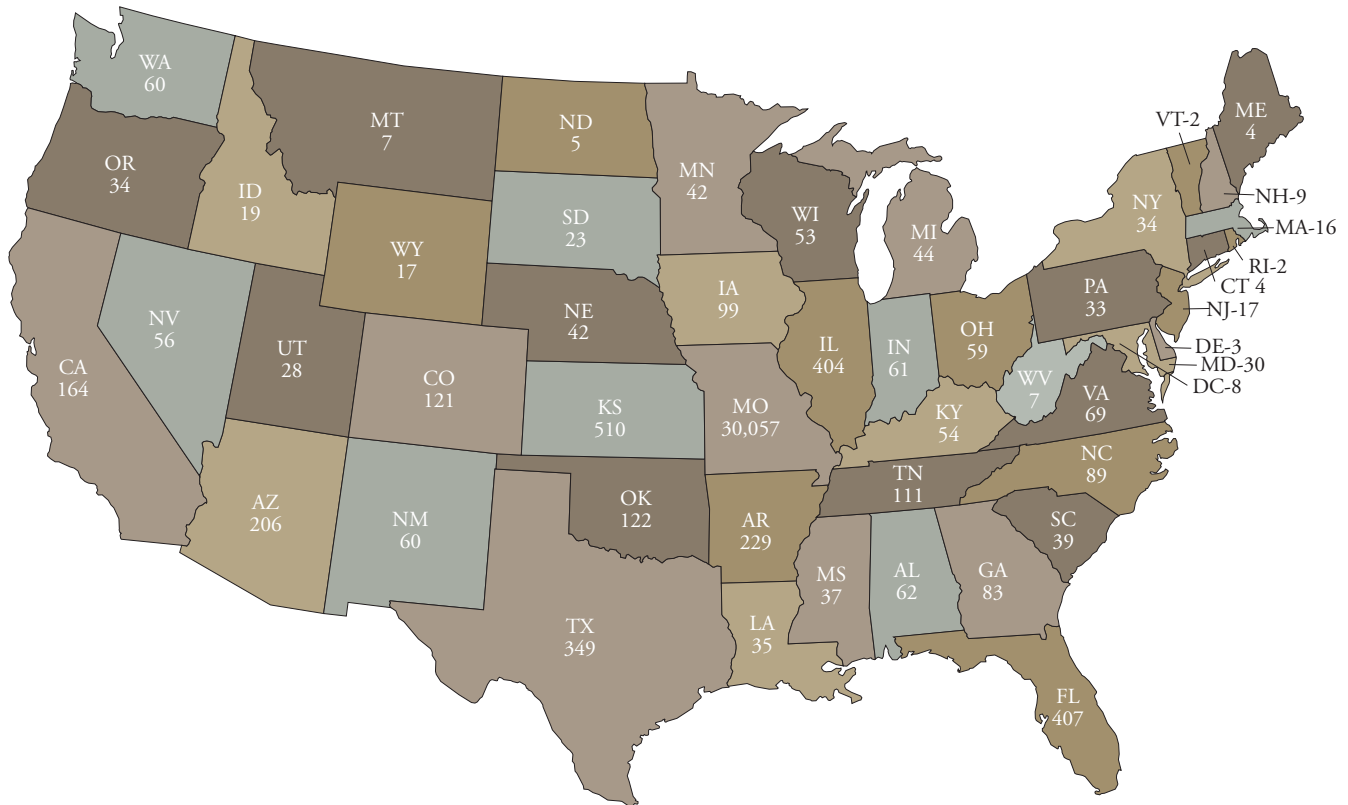
## EXPLORATION

Each day brings new questions, possibilities and innovations that will shape the course of history. The road to future financial security is taking a new direction but the essence of retirement remains the same. MOSERS is focused on embracing new ideas and innovative opportunities that will lead our members down the road to a prosperous tomorrow.

*- Discover the direction of endless possibilities*

## STATISTICAL INFORMATION

### Distribution of Benefit Recipients by Location



- |                                |   |                    |   |                              |   |
|--------------------------------|---|--------------------|---|------------------------------|---|
| • Alaska .....                 | 8 | • Guam .....       | 1 | • Puerto Rico.....           | 1 |
| • APO .....                    | 3 | • Hawaii.....      | 4 | • Slovak Republic .....      | 1 |
| • Argentina.....               | 1 | • Ireland .....    | 1 | • Sweden .....               | 1 |
| • Australia.....               | 2 | • Israel .....     | 1 | • Thailand .....             | 1 |
| • Bermuda.....                 | 1 | • Italy .....      | 2 | • The Netherlands .....      | 1 |
| • Canada .....                 | 7 | • Mexico.....      | 1 | • United Arab Emirates ..... | 1 |
| • Colombia, South America..... | 1 | • P.R. China ..... | 1 | • United Kingdom.....        | 3 |
| • Costa Rica .....             | 1 | • Panama .....     | 1 | • Wales UK .....             | 1 |
| • Germany.....                 | 2 | • Philippines..... | 2 |                              |   |

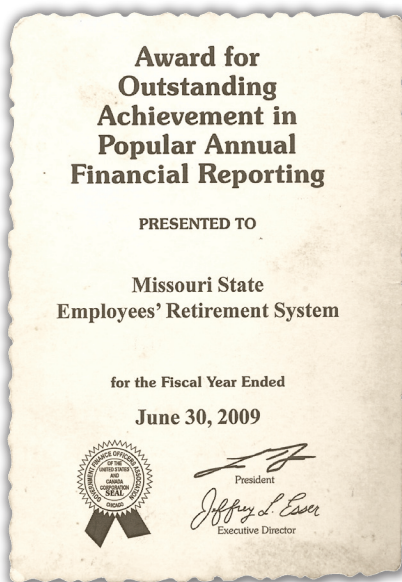
The map above shows the number of retirees, or their beneficiaries, residing in each state. Approximately 88% of MOSERS retirees live in Missouri. The annual retirement benefits paid to these individuals (about \$470 million) provide a steady, continuous and significant stimulus to Missouri's state and local economies.



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## Outstanding Achievement



The Government Finance Officers Association of the United States and Canada (GFOA) presented an Award for Outstanding Achievement in Popular Annual Financial Reporting to MOSERS for its summary annual report for the fiscal year ended June 30, 2009.

This prestigious national award recognizes popular reports for creativity, presentation, understandability, and reader appeal and is valid for a period of one year. We believe the current summary annual report continues to meet these program standards and we are submitting it to the GFOA for evaluation.

### Contact Information

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**Website**  
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Monday - Friday

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